

**Statement by Ambassador Suzanne Hale
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U.S. Department of Agriculture
Before the U.S. House Committee on Energy and Commerce
Subcommittee on Commerce, Trade and Consumer Protection
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Mr. Chairman, members of the committee, I am pleased to appear before you today. I welcome the opportunity to discuss how USDA's Foreign Agricultural Service (FAS) supports U.S. agricultural exports.

IMPORTANCE OF U.S. AGRICULTURAL TRADE

U.S. agricultural exports are crucial to the prosperity of our agricultural industry and also benefit the U.S. economy as a whole. During these difficult economic times, agricultural trade is particularly important because of its impact on rural employment and jobs, not only in the farm sector, but also in the food processing, packaging, and transportation industries.

Twenty-five years ago, the FY 1983 value of U.S. agricultural exports was about \$35 billion. In FY 2008, U.S. agricultural exports reached a record \$115.4 billion, up dramatically from the prior record of \$82.2 billion in FY 2007. These robust export numbers would not have been possible without sustained efforts to reopen markets through trade negotiations and the unparalleled productivity and ingenuity of the U.S. agricultural sector. Even with the sharp global economic downturn, the FY 2009 agricultural export forecast is \$95.5 billion, which would be the second highest level ever.

Overseas markets are vitally important to U.S. farmers and ranchers. For many farm products, one-third or more of domestic production is exported. USDA estimates

that on average 26 to 30 percent of annual farm cash receipts are generated by exports. Every dollar of exports creates another \$1.40 in supporting activities to process, package, finance, and ship agricultural products. Equally important, U.S. agricultural exports mean U.S. jobs. USDA's Economic Research Service calculates that calendar year 2007 agricultural exports generated 808,000 full-time American jobs.

THE MISSION OF FAS

Our mission at FAS is to link U.S. agriculture to the world. It is our job to help facilitate the export of U.S. food and agricultural products. Additionally, FAS administers an overseas school feeding program, and engages in trade capacity building efforts that support agricultural and economic growth in developing countries that helps encourage mutually beneficial trade over the long term.

The Agency maintains a small Washington-based staff and 97 overseas offices around the globe staffed by our foreign service officers. The FAS overseas network acts as our eyes and ears around the world as we work to expand market access for U.S. producers and addresses trade issues as they arise. For example, our Cairo office was instrumental in the recent opening of the Egyptian market to U.S. cattle. With a new protocol for disease testing in place, a dairy farm in Egypt imported 1,900 head of U.S. Holsteins in December 2008, valued at almost \$9 million.

In the Philippines, FAS agricultural officers worked to resolve concerns that the Philippines was attempting to unilaterally change agreed upon procedures for import quotas for U.S. pork and poultry. Last month, U.S. Agriculture Secretary Tom Vilsack received assurances from the Philippines that the procedures would not change. As a

result, access has been maintained to a market that bought over \$45 million in U.S. pork and \$20 million in U.S. poultry in 2008.

EXPANDING MARKET ACCESS

We must maintain and expand access to overseas markets, where 96 percent of the world's consumers live.

Negotiating bilateral, regional, and multilateral trade agreements that lower tariffs and reduce trade impediments is crucial to seizing market opportunities. The President's trade agenda will reflect our respect for entrepreneurship, market competition, the environment, and the rights of workers both at home and abroad. In this endeavor, FAS provides the critical analysis, policy advice, and a seat at the negotiating table to help ensure U.S. agriculture achieves substantial benefits in trade negotiations. FAS is a voice for U.S. agriculture as we work closely with the Office of the U.S. Trade Representative to assist it in negotiating agreements.

EXPORT CREDIT GUARANTEE PROGRAMS

Let me now turn to our export assistance and promotion programs. Because of the current economic crisis, traditional sources of trade finance have diminished, threatening the ability of U.S. agriculture to make sales abroad. With our export credit guarantee program, known as GSM-102, FAS helps to facilitate sales by U.S. exporters. In FY 2009, FAS expects to issue as much as \$5.5 billion in guarantees, which is the statutory limit.

The GSM-102 program has facilitated approximately \$2 billion in feed grain exports in FY 2008 and 2009, directly benefiting our major corn-producing states, including Illinois, Iowa, Nebraska, and Minnesota. During the same time period, \$722

million in wheat sales have been guaranteed, benefitting major wheat-producing states such as Kansas, North and South Dakota, Montana, and Oklahoma. The program has facilitated over \$1 billion in poultry exports in FY 2008 and 2009. These exports, which primarily shipped to Russia, Ukraine, and Kazakhstan, are important to poultry producers in states such as Arkansas, Georgia, and Alabama

TRADE PROGRAMS

FAS administers several statutorily-mandated market development programs including the Market Access Program, Foreign Market Development Cooperator Program, Technical Assistance for Specialty Crops Program, and Emerging Market Program. Separate statutory authority also enables us to run a Quality Samples Program. Although these programs are primarily designed to expand economic opportunities for our farmers, ranchers, and food processors, they also support many jobs in the transportation and distribution sector. These programs provide funds to U.S. organizations to conduct activities including market research, consumer promotion, and market access support.

Market Access Program

In FY 2008, FAS approved \$200 million in Market Access Program (MAP) funds to promote U.S. agricultural commodities in almost every region of the world.

For example, MAP funds have been matched with funds from commodity groups to market soybeans in Romania, beef in Taiwan, grapes in Australia, and pomegranates in Korea.

Using MAP funds, the state-regional trade organizations representing the Midwest and Northeast hosted the Food Export Marketing Forum in April 2008, in Chicago,

Illinois. At the event, hundreds of meetings between international buyers and U.S. small and medium size companies helped generate new export sales, with thirty-eight U.S. companies reporting \$2.6 million in sales at the show. For six of these companies, these were first-time export sales.

With MAP funding, the Wine Institute carried out a 4-week wine promotion in more than 600 stores in Ontario, Canada during May 2008. This highly successful “California Styles” promotion featured more than 140 California wines, included over 1,100 in-store tastings, and was linked to an advertising campaign. As a result, moderately priced California wine sales increased 85 percent in the Ontario stores for the May-August 2008 period, compared to the same four months in 2007, amounting to a \$4.3 million increase.

Foreign Market Development Program

The Foreign Market Development (FMD) Program administered by FAS aims at developing, maintaining, and expanding long-term export markets for U.S. agricultural products. Nonprofit commodity and trade associations called Cooperators pool their technical and financial resources with USDA to conduct overseas market development activities. In FY 2008, USDA awarded FMD funding totaling \$34.5 million.

Using FMD, the U.S. Grains Council is undertaking a 5-year effort to help rebuild Iraq’s poultry industry, which has led to exports of nearly \$4 million of U.S. poultry feed ingredients. FMD funds have also helped the U.S. Wheat Associates increase sales of soft red wheat in Latin America.

Technical Assistance for Specialty Crops

USDA's Technical Assistance for Specialty Crops (TASC) program assists U.S. organizations by providing funding for projects designed to remove or reduce sanitary, phytosanitary, and technical barriers to U.S. specialty crop exports.

TASC has successfully helped U.S. exporters maintain and improve market access for millions of dollars of products from almonds to spinach. In recent years, TASC funding has been used to gain market access for California nectarines in Japan, harmonize organic standards with Canada and the European Union, and create a database of pesticide tolerance levels and standards for more than 300 specialty crops in more than 70 countries. A specific example would be the California Table Grape Commission's use of TASC funding for fumigation research that was a major factor in increasing grape sales to Australia to \$16 million in 2007 and then to a record \$52 million in 2008.

In 2008, \$4 million in TASC funding supported projects by 18 organizations, including the U.S. Potato Board, the Ginseng Board of Wisconsin, and the Hawaii Papaya Industry Association.

Emerging Markets Program

Emerging markets offer great potential for U.S. agricultural exports. However, emerging markets often pose unique challenges that inhibit or discourage U.S. exporters. The Emerging Markets Program (EMP) provides \$10 million annually to U.S. agricultural organizations to cover part of the cost of technical assistance activities that promote exports to these markets.

One EMP-funded program provided minority fruit and vegetable producers in Florida with training that enabled many participating firms to make their first

international sale, participate in their first trade mission, and participate in other export promotion activities. Together, these firms now report exports of \$25 million annually.

Recently, EMP funding supported the first U.S. Apple Export Council trade team traveling to Russia, the world's largest apple importer, accounting for 1 million metric tons per year. Sixteen apple producers and exporters from New York, Michigan, California, Virginia, and Pennsylvania traveled to St. Petersburg, Russia to meet with importers and wholesalers. As a direct result of this visit, U.S. apple producers expect first-time exports to Russia of nearly 10,000 boxes of apples with an approximate value of \$250,000 – \$400,000. The industry estimates that annual exports to this new market could reach \$3 - \$5 million within the next 5 years.

Quality Samples Program

The Quality Samples Program (QSP) helps U.S. agricultural trade organizations provide small samples of agricultural products to potential importers in emerging markets overseas. Focusing on industry and manufacturing, as opposed to end-use consumers, it permits potential customers to discover U.S. quality. It also allows manufacturers overseas to do test runs to assess how U.S. food and fiber products can best meet their production needs. In 2008, USDA provided QSP funds totaling \$1.4 million.

Under QSP, small investments produce big results. For example, demand for U.S. dried cranberries in Mexico's baking sector has increased due to the Cranberry Marketing Committee's (CMC) MAP-funded technical training and baking seminars and the distribution of samples made possible by QSP. CMC used a total of \$72,000 in QSP funds to provide samples to several Mexican companies, resulting in a total of eight new

cranberry-based products introduced into Mexico in 2007-2008. As a direct result, exports to Mexico increased 17 percent to reach \$15 million in cranberry sales.

The U.S. Wheat Associates (USW) in 2007/08 used QSP funds to demonstrate the advantages of U.S. hard red spring wheat in place of German or French wheat in the baguette bread preferred in Senegal. Working with the FAS Agricultural Attaché, USW arranged shipments to the two largest flour mills in French West Africa for technical and qualitative analysis. Both mills and their customers were extremely satisfied with the baking characteristics of the QSP sample. Senegal imported 15,600 metric tons of U.S. hard red spring wheat, valued at \$4.7 million in the 2007/08 Marketing Year.

TRADE AND INVESTMENT MISSIONS

FAS also links agriculture with the world by sponsoring FAS trade and investment missions (TIMs). For example, in March 2008, 17 U.S. and more than 125 African agribusinesses participated in the West and Central Africa TIM coordinated by FAS, resulting in \$6.6 million in U.S. sales. The year before, 10 U.S. and more than 150 Georgian agribusinesses participated in a TIM that resulted in \$2.5 million in U.S. sales.

CONCLUSION

As Acting Administrator of USDA's Foreign Agricultural Service and someone who has had an opportunity to represent FAS in several different offices overseas, I am proud of our efforts to improve foreign market access for U.S. products, build new markets, and improve the competitive position of U.S. agriculture in the marketplace. U.S. agricultural trade means jobs both on and off the farm. Transporting agricultural products to overseas markets means employment for U.S. transportation and port workers. The ripple effect is enormous.

We look forward to working with Congress in support of our efforts to open markets around the world for U.S. agricultural products. Agricultural trade remains a bright spot in the U.S. economy, consistently producing a trade surplus.

This concludes my statement. I look forward to answering any questions you may have. Thank you.

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